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FOR IMMEDIATE RELEASE, AUGUST 3RD, 2010: CAPITAL MARKET RISK ADVISORS RELEASES RESULTS OF RISK GOVERNANCE SURVEY

Capital Market Risk Advisors, Inc., www.cmra.com (CMRA), a leading risk management, risk governance, and litigation support boutique for the past 20 years, today released the results of its 2010 Risk Governance Survey. To see the full report, click [here](#).

In the wake of the financial crisis, risk governance has emerged as a key topic. What role should a Board play in risk oversight? Should Risk Attitude be addressed in Risk Appetite statements? How should compensation be properly risk adjusted? These and other questions are increasingly being debated in boardrooms around the world, as well as by politicians and regulators.

In the midst of this debate, it is important to understand the approach financial institutions are currently taking to Risk Governance and the plans they have for the future. The attached survey represents what we believe is the most comprehensive Risk Governance benchmarking exercise to date.

"As a Bank Director myself I am particularly pleased to see an increase in responses from Directors themselves to this year's survey", said [Leslie Rahl](#), Managing Partner of CMRA, derivatives pioneer, and one of the "Top 100 Most Influential People in Finance" in the June 2010 rankings of Treasury & Risk Magazine.

The survey of both U.S. and foreign banks, pension funds, asset managers, and insurance companies found that:

CRO

- 89% of overall respondents have a CRO compared to last year's 70%
- 66% of CROs have both strategic and a control rule, up from 47% last year
- 84% of respondents' CROs have executive sessions at most Board meetings up from last year's 44% who had such access

RISK ADJUSTED COMPENSATION

- Only 59 % of respondents differentiate between realized and unrealized P&L when considering Risk Adjusted Compensation and less than 50 % allocate additional risk for illiquidity, complexity, new products, hard to value and/or lack of transparency

STRESS TESTS

- 73 % of respondent's stress test sensitivity to volatility, only 27 % to haircut/margin requirements, and 47 % to liquidity/Bid-ask spreads

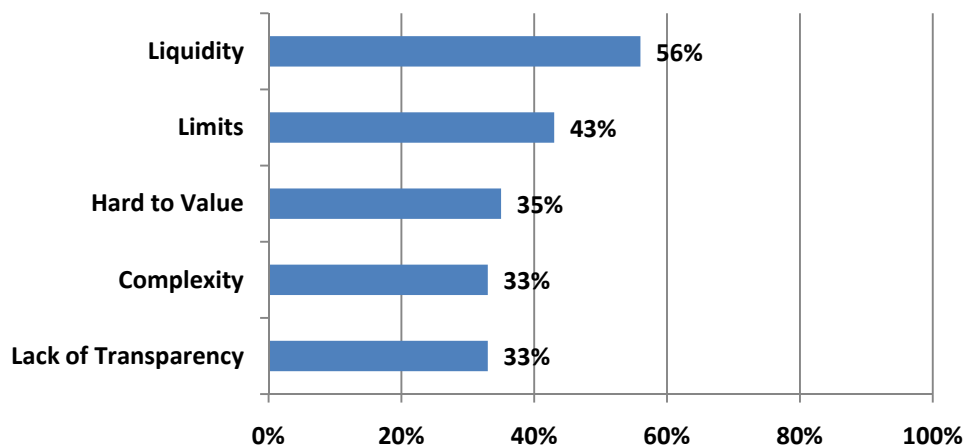
RISK APPETITE STATEMENTS

-57 % of respondents have a Risk Appetite Statement compared to 37% last year and 27 % are considering a Risk Appetite Statement

-Including "Risk Attitude" in Risk Appetite Statements is a Best Practice but still evolving

Of the respondents including "Risk Attitude" in their Risk Appetite Statements the following categories are addressed:

Risk Appetite Statements Included Attitudes Towards



CHANGES TO RISK GOVERNANCE IN THE LAST 12 MONTHS

-The most frequent changes to Risk Governance have been:

- Modified limits 43%
- Increased trend reporting 38%
- Increased exception reporting 35%

COUNTERPARTY RISK

-Only 55 % of respondents calculate potential future exposure

-In addition to derivatives, only 61 % include repos and 52% include Securities lending; and 30% include both

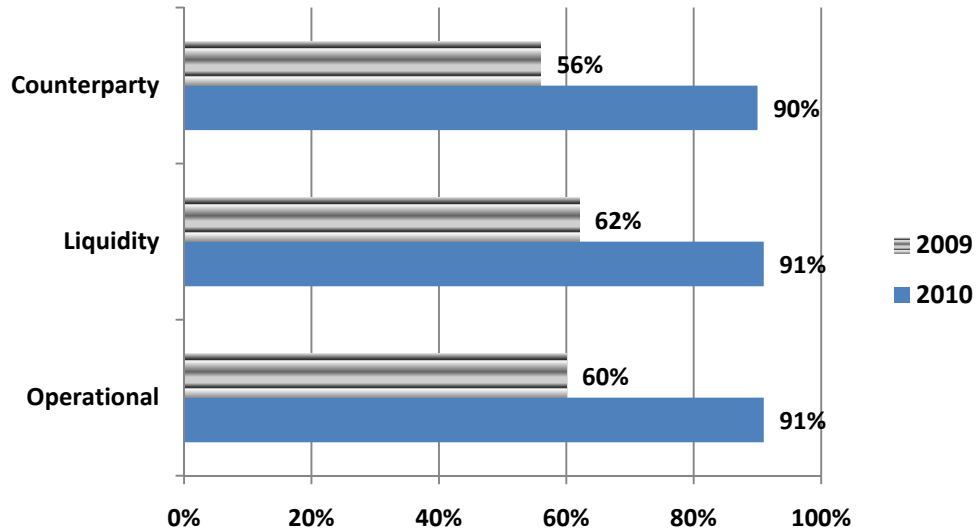
BOARD RISK EDUCATION SESSIONS

-61% of respondents held at least 1 Risk Education session for their Board and 31% held 2 or more sessions

COUNTERPARTY, LIQUIDITY, AND OPERATIONAL RISK

-Boards are increasingly reviewing counterparty, liquidity, and operational risk information:

Boards Review of Each Category



"As a former senior manager and a current board member, I think the trend towards including "risk attitude" in risk appetite statements is key to aligning the goals of management and the board" said [Peter Niculescu](#), Partner of CMRA, former Executive VP of a \$1 Trillion portfolio at Fannie Mae, former Goldman Sachs Managing Director and Head of Fixed Income Research and Yale Ph.D.

"The results show a quickening trend to the use of more comprehensive risk management practices. This is in part driven by increased questioning about risk management from customers, regulators, and rating agencies." said [David Tyson](#), a Managing Director at CMRA and former CEO of Travelers, who has been implementing risk management practices in the asset management and insurance industry since 1979 and has served on key Citigroup and Travelers governance committees.

Participants will be receiving customized peer group comparisons.

ABOUT CMRA



[Capital Market Risk Advisors \(www.cmra.com\)](http://www.cmra.com) is the pre-eminent financial advisory firm providing risk management advisory and litigation support services to investment and commercial banks, insurance companies, institutional investors, mutual funds, hedge funds, funds of funds, and other market participants. Founded in 1991, we offer clients a unique perspective based on founder [Leslie Rahl](#) and partner [Peter Niculescu](#)'s and Managing Director [Dave Tyson](#)'s collective 100+ years of hands-on experience in risk management, trading, portfolio management, asset liability management, and knowledge of industry best practice.

Our [advisory services](#) include assessing risk exposures and advising on risk management and strategy, the valuation of complex or illiquid instruments, and benchmarking risk management and risk governance practices against best practice. We also advise senior managers and Boards with respect to all types of risk management and [risk governance](#) issues, developing risk appetite statements, advising on risk reporting and communication, and reviewing and drafting risk management and compliance policies and procedures.

As pioneers in the derivatives and mortgage businesses and seasoned veterans with front-line as well as Board, governance and regulatory experience, we at CMRA have played a leadership role in establishing best practices in financial services. Our ability to understand the quantitative details while simultaneously understanding Directors' needs uniquely qualifies us to "translate" and "demystify" complex issues for Boards.

The synergy between our advisory and [financial forensic/litigation practices](#) helps us provide clients with unique insight about what can and does go wrong in managing risk and informs our perspective in an unparalleled way. Additionally, our work with both the buy- and sell-sides of firms on six continents provides us with an unmatched point of view in solving seemingly intractable problems.

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